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C O N F I D E N T I A L SECTION 01 OF 03 HONG KONG 001470

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TAGS: PTER PREL PGOV ECON EWWT HK CH

SUBJECT: SECRETARY CHERTOFF'S MEETING WITH CHEUNG KONG
CHAIRMAN LI KA-SHING

Classified By: Consul General James B. Cunningham. Reasons: 1.4 (d, e)

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Summary

¶1. (C) On March 31, U.S. Department of Homeland Security Secretary Michael Chertoff met with Hong Kong business leader

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and port operator Li Ka Shing at Li's request to discuss port security. Secretary Chertoff outlined the U.S. desire to find a way to improve maritime security without impeding the flow of commerce; technology held out the promise of a common-sense solution. Li emphasized his eagerness to work with the USG and his hope that past misunderstandings of his position and interests would not be repeated. End Summary.

¶2. (C) On March 31, Homeland Security Secretary Michael Chertoff met with Cheung Kong (Holdings) Chairman Li Ka Shing; Cheung Kong is the parent company of Hutchison Port Holdings, a major global port operator. Susan Chow, Deputy Group Managing Director of Hutchison Whampoa, and Gerry Yim, head of the Americas, Middle East and Africa for Hutchison, accompanied Li. Hutchison's terminal in Hong Kong, inter alia, hosts a test site for the Integrated Container Inspection System (ICIS) which Secretary Chertoff visited on April 1 (septel).

Li seeks to clear up misunderstandings

¶3. (C) Chairman Li explained that he wished to meet with Secretary Chertoff because there had been misunderstandings

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about him in the past. Li explained that he had come to Hong Kong in 1940, during the Sino-Japanese War. For almost thirty years after 1949, when the Communists came to power, Li never visited China. Instead, he worked in Hong Kong to build his business. After Deng Xiaoping came to power, and the Chinese established their investment company CITIC, he was asked to be on the board. It was difficult to say no to that request, but some people in Washington have misunderstood Li's presence on the CITIC board.

¶4. (C) Li emphasized that he had always sought a friendly

relationship with the United States, and said that if anyone in the USG wanted to meet with his people, in any country of the world, he would always instruct them to be available and to answer any questions. He would authorize access to his companies' books -- something he had never done for any other country. Li had always considered the United States to be an excellent country, and his company was always on the lookout for additional investment opportunities in the U.S. If the USG had questions about Li's operations, for example, in Panama, he would welcome a team, as long as it was on a friendly basis.

Secretary Chertoff describes U.S. port security goals

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¶ 15. (C) Secretary Chertoff thanked Chairman Li for his willingness to cooperate. We live in a complicated world, the Secretary continued, and Li's company is a major player in the maritime sector. The security of the United States depends on preserving freedom of movement and freedom of trade, and a security system so rigid that it stopped trade would be self-defeating. We want a "win-win" outcome, with better security and, in particular, better port security. Stopping and physically searching every container would effectively close down the ports, said the Secretary, an untenable approach to security. We know that you share our interests: if a bomb went off in a container shipped from your port it would seriously damage your company.

¶ 16. (C) We are exploring how to use technology to get a better level of information, the Secretary continued, and so are placing radiation monitors at all our own ports, and ideally will also place them overseas, once we have convinced governments and port operators of the need. The ICIS system that Hutchison is testing is an interesting combination of radiation monitors and x-ray scanning of the containers. If we could have something like that in the ports where

HONG KONG 00001470 002 OF 003

containers are loaded for U.S. destinations, then we might be able to offer expedited treatment at the U.S. port. That would be a competitive advantage for those originating ports.

We want to be tough-minded about assessing the effectiveness of the monitoring system. So, we had to be mindful of public perceptions: we need not only increased security, but also the perception that security has increased. That may mean having law enforcement officers on site to ensure that the monitoring is secure. By working together, the Secretary concluded, we can significantly elevate the level of container security.

Hutchison eager to cooperate

¶ 17. (C) Li Ka Shing agreed on the need to secure shipping and promised his companies' full cooperation. He added that if the U.S. equipment was the best, that was what he would purchase. He asked Gerry Yim, head of Americas, Middle East and Africa, to describe what Hutchison has done so far. Yim explained that they have accumulated images of 1.5 million containers; Hutchison executive John Meredith had called on Homeland Security last week to discuss how these images could be used. Yim reiterated Li's message that Hutchison wanted to work together with Homeland Security, and added that there were some people whose comments were having an "unhelpful" effect on public opinion.

¶ 18. (C) Secretary Chertoff responded that it was true there were limits as to what could be done regarding public opinion. As for the images, there might be software that could read the images. Eventually we will develop an algorithm to "red-flag" problematic containers. Another area of concern that impacts Hong Kong specifically is that many cargoes are trans-shipped here; if they are loaded from

ship-to-ship, would they avoid the screening process? Yim acknowledged that this was a problem, but said that they were working on something that checks the container while it was on the crane. (Note: During the port visit, terminal representatives told Secretary Chertoff that in fact there are few ship to ship direct transfers. End note).

¶9. (C) The Consul General observed that not only the U.S., but other countries should be interested in the security that an ICIS-like system could provide. Yim answered that Hutchison was working with the World Customs Organization to develop global standards. The CG also noted that Li's operations included several mainland ports, so that he would play an important role beyond Hong Kong in implementing a higher level of security. Li reiterated that his interests were identical to the USG's; he could not afford to have a single container with anything illegal inside. Even if they were checking 99 percent now, they needed to go to 100 percent. Even if it cost them more, they had to do it.

¶10. (C) Secretary Chertoff observed there were other kinds of problems with screening technologies. For example, if radiation tolerances were set too low, there were many false positives, but if they were set too high, there was an increased danger of harmful material getting through. A likely solution would be to set low tolerances, but match the information against a baseline reading calibrated to the manifest before actually stopping the container, in order to reduce the number of false alarms. Yim said that the technology existed, but somebody would have to pay for it. If the USG were to pick a technology and mandate it, then the costs would be equal for all operators. Secretary Chertoff responded that it was necessary to give shippers and port operators a market-based incentive to participate, such as expedited service. We want a system that could meet our security needs without harming the shippers' and operators' business model.

¶11. (C) The Secretary told Li that he appreciated his cooperation. We are committed to security and want to make sure it makes business sense for the private sector to cooperate with us. In closing, Li told Secretary Chertoff that his staff was welcome to visit any of Hutchison's port operations worldwide, and that he would make sure that Meredith knew of his offer.

HONG KONG 00001470 003 OF 003

¶12. (U) Secretary Chertoff's party has cleared this cable.

Cunningham